

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 15, 2019

St. Anton Tasman Apartments, located at 2233 Calle Del Mundo in Santa Clara, requested and is being recommended for a reservation of \$3,462,934 in annual federal tax credits to finance the new construction of 194 units of housing serving tenants with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by St. Anton Communities, LLC and will be located in Senate District 10 and Assembly District 25.

Project Number CA-19-461

Project Name St. Anton Tasman Apartments
Site Address: 2233 Calle Del Mundo
 Santa Clara, CA 95054 County: Santa Clara
Census Tract: 5050.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,462,934	\$0
Recommended:	\$3,462,934	\$0

Applicant Information

Applicant: St. Anton Tasman East, LP
Contact: Sahar Soltani
Address: 1801 I Street, Suite 200
 Sacramento, CA 95811
Phone: (916) 471-3000
Email: ss@antoncap.com

General Partner(s) or Principal Owner(s): Tasman East Workforce Housing, LLC
 PacH Anton South Holdings, LLC

General Partner Type: Joint Venture

Parent Company(ies): St. Anton Communities, LLC
 Pacific Housing, Inc.

Developer: St. Anton Communities, LLC

Investor/Consultant: RBC Capital Markets

Management Agent: St. Anton Multifamily, Inc.

Project Information

Total # Residential Buildings: 1
Total # of Units: 196
No. / % of Low Income Units: 194 100.00%
Federal Set-Aside Elected: 40%/60%

Bond Information

Issuer: CalPFA
 Expected Date of Issuance: June 14, 2019

Information

Housing Type: Non-Targeted
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Pavlos Mayakis

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
50% AMI: 37	19%
60% AMI: 157	81%

Unit Mix

153 SRO/Studio Units
43 1-Bedroom Units
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196 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
123 SRO/Studio	60%	60%	\$1,396
29 SRO/Studio	50%	50%	\$1,163
18 1 Bedroom	60%	60%	\$1,496
4 1 Bedroom	50%	50%	\$1,246
13 1 Bedroom	60%	60%	\$1,496
3 1 Bedroom	50%	50%	\$1,246
3 1 Bedroom	60%	60%	\$1,496
1 1 Bedroom	50%	50%	\$1,246
1 SRO/Studio	Manager's Unit	Manager's Unit	\$1,351
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,432

Project Cost Summary at Application

Land and Acquisition	\$11,150,000
Construction Costs	\$56,967,807
Construction Hard Cost Contingency	\$2,838,857
Soft Cost Contingency	\$550,112
Architectural/Engineering	\$1,387,617
Const. Interest, Perm. Financing	\$6,187,301
Legal Fees	\$125,000
Reserves	\$732,533
Other Costs	\$12,883,153
Developer Fee	\$6,300,000
Commercial Costs	\$0
Total	\$99,122,380

Residential

Construction Cost Per Square Foot:	\$555
Per Unit Cost:	\$505,726

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$70,000,000
Land Donation	\$11,000,000
GP Loan	\$19,380,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$28,540,000
Land Donation	\$11,000,000
GP Loan	\$19,380,000
Deferred Interest	\$1,889,550
Net Operating Income	\$497,196
Deferred Developer Fee	\$2,840,000
Tax Credit Equity	\$34,975,634
TOTAL	\$99,122,380

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis :	\$81,554,126
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis :	\$106,020,364
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$3,462,934
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,300,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$1.01000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$81,554,126
Actual Eligible Basis:	\$81,554,126
Unadjusted Threshold Basis Limit:	\$57,212,852
Total Adjusted Threshold Basis Limit:	\$85,248,154

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 19%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses are below the minimum operating expenses established in the Regulations as allowed under regulation section 10327(g)(1). See the Special Issues section of this report below. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

The applicant's estimate of the project's operating expenses of \$5,870 per unit per year is below the TCAC minimum operating expense requirement. As allowed under TCAC Regulation Section 10327(g)(1) the operating expenses may be up to 15% below the TCAC minimum if approved by the Executive Director and confirmed by the permanent lender and the tax credit equity investor. TCAC has approved the lower operating expense.

This project's projected residential costs are \$505,726 per unit this cost is due in part to the high cost of skilled labor and material costs in the Bay Area, the high cost of land, and offsite improvements required by the Tasman East Focus Area Specific Plan.

Resyndication and Resyndication Transfer Event: None

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.